

Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 PORT O 02127 171939Z

70

ACTION COME-00

INFO OCT-01 ARA-06 ISO-00 EB-07 INT-05 AID-05 CIAE-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 /054 W

----- 025442

R 171918Z AUG 76

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 9586

C O N F I D E N T I A L PORT OF SPAIN 2127

E.O. 11652: GDS

TAGS: BENC, BIND, EFIN, TD

SUBJECT: STATUS OF IDC IRON AND STEEL PROJECT

REF: PORT OF SPAIN 1792

1. MANAGER OF IRON AND STEEL COMPANY OF TRINIDAD AND TOBAGO (ISCOTT), GEORGE FRASER, HAS INFORMED EMBOFF THAT CABINET HAS GIVEN GO-AHEAD ON STEEL PROJECT, ON SUBSTANTIALLY REDUCED BASIS. PUBLIC ANNOUNCEMENT SHOULD BE MADE NEXT WEEK. NEW CAPACITY WILL BE 450,000 TONS AS OPPOSED TO 1.2 MILLION TONS ORIGINALLY PROJECTED.

2. MAJOR REASON FOR REDUCTION IN CAPACITY IS THAT JAPANESE FIRMS WERE IMPOSING CONDITIONS ON PRICING AND DISPOSITION OF SHARE OF OUTPUT WHICH THEY WERE TO RECEIVE UNDER "TAKE OR PAY" CONTRACT WHICH TRINIDADIAN'S FOUND UNACCEPTABLE. GOTT HAS THEREFORE DECIDED TO PROCEED WITHOUT JAPANESE COMPANIES (ALTHOUGH FINAL DISPOSITION OF THEIR EQUITY IN PROJECT STILL NOT DETERMINED), AND WITHOUT MARKET JAPANESE WERE TO HAVE GUARANTEED.

3. APPROVED PROJECT CALLS FOR INTEGRATED OPERATION, INCLUDING ROLLING MILL. OUTPUT WILL INCLUDE 150,000

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PORT O 02127 171939Z

TONS OF STEEL PRODUCTS, CHIEFLY WIRE AND RODS. MOST OF OUTPUT NOW EXPECTED TO GO TO CARIBBEAN MARKETS

AND U.S.

4. FRASER HAS JUST RETURNED FROM TALKS WITH FIRST BOSTON ON FINANCING. HE IS CONFIDENT THAT THEY WILL MANAGE A PROJECT LOAN WITH SOME FORM OF GOVERNMENT GUARANTEE, AND SAYS HE CONSIDERS STRAIGHT BANK FINANCING AS A TRINIDADIAN PROJECT PREFERABLE IN MANY WAYS TO COMPLICATED FINANCING/MARKETING ARRANGEMENTS JAPANESE HAD PROPOSED. LOCAL CITIBANK REP HAS ALSO TOLD EMBOFF THEY MIGHT BE INTERESTED IN PARTICIPATING IN THIS LOAN.

5. BIDS SUBMITTED ON PROJECT ARE NOW UNDER REVIEW. FRASER SAID THEY EXPECT TO SELECT FOUR OR FIVE IN EACH CATEGORY, THEN ASK BIDDERS TO REWRITE THEM ON BASIS OF LOWER CAPACITY, PROPORTIONATE TO THEIR EARLIER BID PRICES. IN THIS WAY, HE EXPECTS TO AVOID NEED TO RESUBMIT BIDS.

6. FRASER TOLD EMBOFF IN CONFIDENCE THAT FROM WHAT HE HAS SEEN OF BIDS SO FAR, JAPANESE HAVE BEEN RUNNING 25-50 PERCENT BELOW OTHERS, AT LEAST ON MECHANICAL ITEMS. HE IS SURPRISED, BUT FEELS THAT IF JAPANESE "WANT TO GIVE THE STUFF AWAY" THEY CAN HARDLY REFUSE TO TAKE IT. ELECTRICAL EQUIPMENT ALSO CHEAPER, BUT DISPARITIES LESS GLARING. NORTH AMERICANS ARE MORE COMPETITIVE ON CONTRACTING AND ENGINEERING BIDS, AND IT LOOKS TO HIM LIKE U.S. WILL GET FORMER AND CANADIANS LATTER. HE EMPHASIZED THAT NOT ALL BIDS HAVE BEEN OPENED AS YET, HOWEVER. FACT THAT LARGE SHARE OF EQUIPMENT NOT LIKELY TO COME FROM U.S. IS MAJOR REASON EXIM BANK FINANCING WILL NOT BE SOUGHT.

7. FRASER CONFIRMED MIDREX PROCESS "HAS BEEN PURCHASED". WITH CABINET APPROVAL IN HAND, CONSTRUCTION ON SITE WILL BEGIN IN 1977, AND PRODUCTION IS SCHEDULED TO BEGIN IN 1979.

8. REQUESTS FOR RECALCULATION OF BIDS EXPECTED TO GO OUT OVER NEXT TWO MONTHS, FIRST SET PROBABLY LATE NEXT
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 PORT O 02127 171939Z

WEEK. IF ANY OF BIDDERS ARE PLANNING TO VISIT TRINIDAD IN NEAR FUTURE EMBASSY SUGGESTS THEY WAIT UNTIL THEY HEAR FROM ISCOTT ON THIS.

9. COMMENT: NOT ALL PITFALLS HAVE BEEN ELIMINATED ON THIS PROJECT. FIRST BOSTON IS APPARENTLY ASKING FOR GOVERNMENT GUARANTEE ON LOAN, WHICH GOTT HAS SO FAR BEEN RELUCTANT TO PROVIDE FOR INDUSTRIAL DEVELOPMENT PROJECTS. SOME SUPPLIERS MAY BALK AT FRASER'S METHOD OF REPRICING OF BIDS ON PROPRTIONATE BASIS.

QUESTIONS OF ADEQUACY OF INFRASTRUCTURE, EVEN FOR
REDUCED SIZE OF PROJECT, REMAIN. GOTT UNDOUBTEDLY
FEELS IT HAS GONE TOO FAR TO TURN BACK ON PROJECT
NOW, HOWEVER, PARTICULARLY WITH ELECTIONS IMMINENT,
AND IT APPEARS THAT STEEL MILL WILL BECOME REALITY,
ALBEIT ON A LESS AMBITIOUS SCALE.
FAY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL PLANTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 17 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PORTO02127
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760316-0036
From: PORT OF SPAIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760846/aaaabnyf.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 92 PORT OF SPAIN 1792
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUL 2004 by ElyME>; APPROVED <29 OCT 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS OF IDC IRON AND STEEL PROJECT
TAGS: BENC, EIND, EFIN, TD, IDC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006